Ladies and Gentlemen:

We are pleased to be able to offer comments on the proposed policy change relating to classifying the pledging of company stock as a problematic pay practice for purposes of recommendations relating management say-on-pay ("MSOP") proposals. We are an international law firm and count among our clients numerous financial market participants and companies in the Russell 3000 Index. Our comments are not based on those of any one firm, but instead derive from our broader representation.

You have posed four questions as part of your request for comments on the proposed policy change relating to pledging of company stock: is there a significant level of pledging that causes concern for investors; if pledging is significant enough, should the concern be expressed in the MSOP vote, the election of directors or the election of members of board committees; do remedial actions sufficiently address such concerns; are there additional factors to be considered on a case-by-case basis?

In considering these questions, as well as other factors relating to the pledging of company stock, we believe the following facts and observations should inform you as you finalize any policy recommendation relating to the pledging of company stock:

(1) As noted in the description of the proposed policy change and the rationale offered for it, the pledging of stock by officers raises the concerns for possible adverse impact on stockholders. No similar mention is made of pledging by directors.

(2) The description and rationale for including pledging as a problematic pay practice that weighs on your recommendation with respect to the MSOP vote, acknowledges that pledging policies are not tied to compensation, and explains that since a substantial portion of shares owned by most executives and outside directors are delivered through compensation programs, there is a link between pledging and the MSOP vote. This suggests that pledging should not be a factor where the shares are "founders" or similarly accumulated shares.

(3) There are many instances where a substantial portion of the shares beneficially owned by an outside director are long-term investments which pre-date the director's tenure on the board. In some instances these directors will pledge shares, rather than sell shares, for liquidity to diversify holdings and/or support other business activities.

(4) Near term unwinding of existing pledging arrangements by outside directors may be difficult and lead to the forced selling that the anti-pledging rule is intended to prevent. Alternatively, the director may choose to leave the board.

We believe consideration of these facts and observations suggests the following with respect to the proposed policy change:

(A) If pledging by outside directors is to be a factor in the recommendations with respect to MSOP, or in the election of directors generally or the specific director specifically, then it should only be a factor where the level of pledging represents a significant percentage of shares. Since the perceived risk is a forced sale due to a decline in value, the level of shares pledged would not appear to be a concern until at least 25% or perhaps an even higher level.

(B) If the policy is put in place, it should clearly contemplate case-by-case considerations, with a factor being consideration of the source and longevity of the outside director's holdings. The pledging of a long-standing stock position, rather than the selling the shares, keeps "skin in the game" which is a positive from the shareholders' perspective.

(C) If the policy is put in place, it should provide for an adequate transition period with respect to existing pledging arrangements so as not to cause otherwise avoidable market sales or forced turnover of directors. Without adequate time to unwind pledges that may be viewed as problematic, directors may feel compelled to sell shares or to leave the board, or companies may feel compelled to adopt policies that would, in effect, compel such sales or cause otherwise unwanted board turnover. We do not believe either of these outcomes is a positive from the perspective of investors.

We believe that if a policy change relating to pledging is adopted, the inclusion of provisions like those above are necessary to avoid unintended consequences and the detrimental impact on the shareholders that the policy is intended to address in the first place.

If you have any questions or wish to discuss these comments in further detail, please do not hesitate to contact the undersigned.

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